

Message Text

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C O N F I D E N T I A L STATE 244132

E.O11652: GDS

TAGS: EGEN, EEWT, EFIN, OECD

SUBJECT: OECD EAST-WEST INITIATIVE: US PROPOSALS FOR
WORK PROGRAM

1. SUMMARY. THIS MESSAGE CONTAINS OUR PROPOSALS FOR
PROCEDURAL AND SUBSTANTIVE FOLLOW-UP TO THE US EAST-WEST
INITIATIVE IN THE OECD, FIRST RAISED BY THE SECRETARY
AT THE JUNE OECD MINISTERIAL AND AMPLIFIED BY UNDER
SECRETARY ROGERS AT THE JULY 6 MEETING OF THE OECD
EXECUTIVE COMMITTEE IN SPECIAL SESSION (XCSS). THESE
PROPOSALS WILL FORM THE BASIS FOR OUR PRESENTATION AT
THE NEXT XCSS MEETING (OCTOBER 14-15). ACTION
ADDRESSEES SHOULD MAKE DEMARCHE WITH APPROPRIATE HOST
GOVERNMENT OFFICIALS AT EARLIEST POSSIBLE DATE TO
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EXPLAIN OUR IDEAS, AS DETAILED IN PARAGRAPHS 5 AND 6
BELOW, AND TO SEEK HOST GOVERNMENT REACTION TO AND
SUPPORT FOR THESE PROPOSALS. ON BASIS OF RESPONSES
YOU REPORT, TOGETHER WITH DISCERNIBLE TRENDS IN OECD
SECRETARIAT STATISTICAL REPORT (NOT YET RECEIVED),
WE WILL DRAW TOGETHER OUR FINAL POSITION FOR NEXT XCSS.
END SUMMARY.

2. BACKGROUND. IN HIS SPEECH AT THE JUNE OECD MINISTERIAL
THE SECRETARY CALLED FOR THE OECD COUNTRIES TO "TAKE

ACCOUNT OF THE POTENTIAL NEEDS AND CONTRIBUTIONS OF
THE CENTRALLY PLANNED ECONOMIES." HE STATED THAT

EASTERN INFLUENCE ON THE GLOBAL ECONOMY AND THE GROWING EAST-WEST ECONOMIC INTERACTION CAN, IF MANAGED WISELY, BE POSITIVE DEVELOPMENTS. FINALLY, HE CALLED ON THE OECD TO ADOPT A "SYSTEMATIC WORK PROGRAM FOR DEVELOPING OBJECTIVES AND APPROACHES FOR OUR ECONOMIC RELATIONS WITH THE COMMUNIST COUNTRIES," THE RESULTS OF WHICH COULD BE EMBODIED IN A REPORT TO THE NEXT OECD MINISTERIAL. UNDER SECRETARY ROGERS FOLLOWED THIS UP WITH A MORE DETAILED PRESENTATION AT THE JULY 6 XCSS, STRESSING THE DESIRABILITY OF ASSURING THAT THE GROWING ECONOMIC ROLE OF THE EAST WORKED TO THE ADVANTAGE, RATHER THAN THE DISADVANTAGE, OF THE WEST. HE MENTIONED RECIPROCITY AND DUMPING AS TRADE ISSUES OF PARTICULAR INTEREST, PLUS DEBT, ENERGY, AND FOOD, WHILE EMPHASIZING THAT THE US PROPOSAL WAS INTENDED TO BE CONSTRUCTIVE AND NOT CONFRONTATIONAL.

3. OTHER COUNTRIES' REACTIONS TO OUR PROPOSALS WERE CAUTIOUS BUT LARGELY POSITIVE. SOME SUGGESTED OTHER AREAS FOR STUDY, NAMELY FISHING, SHIPPING, AND TECHNOLOGY TRANSFER. IN THE END, THE XCSS AGREED TO COMMISSION THE SECRETARY GENERAL TO PREPARE A FACTUAL PAPER ON VARIOUS ASPECTS OF EAST-WEST ECONOMIC RELATIONS TO ENABLE THE XCSS AT ITS OCTOBER MEETING TO ADDRESS SPECIFIC SUBSTANTIVE ISSUES OF INTEREST TO ALL OECD COUNTRIES. SOME OF THESE SUGGESTIONS, WE BELIEVE, OFFER EXCELLENT PROSPECTS FOR USEFUL DISCUSSION. SHIPPING, FOR EXAMPLE, IS A PROBLEM AREA WHICH COULD

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BE AMELIORATED BY BRINGING THE SOVIETS TO COOPERATE WITH OTHER NATIONS.

4. THIS BASIC SECRETARIAT STUDY WILL BE EXAMINED FOR DISCERNIBLE TRENDS AND AREAS WHICH MAY LEND THEMSELVES TO OECD WORK. IN THE MEANTIME, WE HAVE DEVELOPED A COMBINED PROCEDURAL AND SUBSTANTIVE APPROACH FOR MOVING FORWARD ON THE EAST-WEST INITIATIVE AT THE OCTOBER XCSS. ITS ELEMENTS FOLLOW IN PARAGRAPHS 5 AND 6. ACTION ADDRESSEES SHOULD PRESENT THESE PROPOSALS ASAP TO APPROPRIATE OFFICIALS AMPLIFYING THEM, AS NEEDED, WITH BACKGROUND INFORMATION OUTLINED ABOVE. POSTS SHOULD EXPLAIN THAT WE WISH HOST GOVERNMENTS TO BE FULLY INFORMED OF OUR PROPOSALS IN ADVANCE OF XCSS AND THAT US WOULD APPRECIATE BOTH THEIR REACTIONS TO AND SUPPORT FOR OUR IDEAS. POSTS SHOULD REPORT RESULTS OF THESE DEMARCHES QUICKLY TO PERMIT US TO FACTOR ANY EARLY REACTIONS INTO OUR FINAL PREPARATIONS FOR THE OCTOBER 14-15 XCSS.

5. SUBSTANCE OF WORK PROGRAM. WE BELIEVE A USEFUL WORK PROGRAM COULD CONSIST OF OECD ACTIVITY IN AT LEAST

NINE AREAS. THESE TAKE ACCOUNT OF PROPOSALS (E.G. SHIPPING AND TECHNOLOGY TRANSFER) MADE BY OTHERS AT JULY 6 XCSS. A PRINCIPAL OBJECTIVE IN EACH AREA OF EXAMINATION WOULD BE AN ASSESSMENT OF OPPORTUNITIES FOR CLOSER WESTERN POLICY COORDINATION. ELEMENTS IN THIS PROGRAM WOULD INCLUDE:

A) GENERAL - EXAMINATION OF THE MAJOR GENERAL TRENDS AND DYNAMICS WHICH UNDERLIE EAST-WEST ECONOMIC RELATIONS, INCLUDING THE DEGREE OF INTERDEPENDENCE WHICH LINKS EAST AND WEST, THE ROLE OF WESTERN TRADE AND TECHNOLOGY IN THE EASTERN ECONOMY, THE IMPACT OF PROJECTED ECONOMIC TRENDS AND POLICIES IN EAST AND WEST ON EAST-WEST ECONOMIC RELATIONS, AND THE FEASIBILITY AND IMPLICATIONS OF GREATER EASTERN INVOLVEMENT IN GLOBAL ECONOMIC INSTITUTIONS.

B) AGRICULTURE - PREPARATION OF PROJECTIONS OF SOVIET AND EAST EUROPEAN FOOD PRODUCTION AND CONSUMPTION, CONFIDENTIAL

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AND ASSESSMENT OF THEIR IMPLICATIONS FOR WORLD AGRICULTURAL TRADE.

C) ENERGY - PREPARATION OF PROJECTIONS OF SOVIET AND EAST EUROPEAN PRODUCTION AND CONSUMPTION OF ENERGY RESOURCES. EVALUATION OF THE EXTENT TO WHICH THE WEST MAY BECOME DEPENDENT FOR ENERGY ON THE EAST OR, ALTERNATIVELY, WHETHER THE SOVIETS AND EAST EUROPEANS WILL BE COMPETING WITH US FOR OIL IMPORTS ONCE THE USSR IS NO LONGER SELF-SUFFICIENT. ASSESSMENT OF BREZHNEV'S CALL FOR AN ALL-EUROPEAN ENERGY CONFERENCE. DISCUSSION OF THE IMPLICATIONS OF WESTERN PARTICIPATION IN THE DEVELOPMENT OF SOVIET ENERGY RESOURCES. ASSESSMENT OF THE IDEA OF EASTERN PARTICIPATION IN MULTI-LATERAL POST-CIEC ENERGY DISCUSSIONS.

D) TRADE - STUDY OF EAST-WEST TRADE PRACTICES, WITH PARTICULAR EMPHASIS ON IDENTIFYING APPROPRIATE EASTERN RECIPROCITY FOR FURTHER WESTERN TARIFF AND/OR NON-TARIFF CONCESSIONS AND ON THE PROBLEMS OF DUMPING AND OTHER UNFAIR TRADE PRACTICES, AS WELL AS SAFEGUARDS AGAINST INJURIOUS IMPORT COMPETITION NOT RESULTING FROM UNFAIR TRADE PRACTICES.

E) TECHNOLOGY TRANSFER - EXAMINATION OF THE PROCESS OF EAST-WEST TECHNOLOGY TRANSFER WITH PARTICULAR EMPHASIS ON (1) THE PRESENT AND PROSPECTIVE ROLE OF FOREIGN TECHNOLOGY IN THE USSR/EE MODERNIZATION

PROCESS; (2) PROBLEMS OF APPLYING R&D TO INDUSTRIAL PRODUCTION IN THE EAST; AND 3) OPPORTUNITIES FOR THE WEST

TO ACQUIRE EASTERN TECHNOLOGY.

F) FINANCE AND INVESTMENT - EXCHANGE OF INFORMATION ON THE OPERATION OF COMPENSATION ARRANGEMENTS, CO-PRODUCTION FACILITIES, JOINT VENTURES, AND OTHER FORMS OF LONG-TERM ECONOMIC COOPERATION BETWEEN EAST AND WEST. ANALYSIS OF THE PRESENT AND POTENTIAL SIGNIFICANCE OF THESE ARRANGEMENTS IN OVERALL EAST-WEST TRADE. ASSESSMENT OF THE PRESENT AND POTENTIAL SIGNIFICANCE OF EASTERN INVESTMENT IN THE WEST. INVESTIGATION OF THE POTENTIAL FOR SOVIET, CONFIDENTIAL

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EASTERN EUROPEAN, AND CEMA BANK FINANCING OF EXPORTS FROM EASTERN COUNTRIES TO THE WEST. EXAMINATION OF THE ROLE OF EASTERN-OWNED BANKS BASED IN WESTERN COUNTRIES.

G) DEBT - ANALYSIS OF THE IMPLICATIONS OF THE RISING SOVIET AND EASTERN EUROPEAN HARD-CURRENCY DEBT FOR THE FINANCING OF EAST-WEST TRADE AND OTHER ASPECTS OF EAST-WEST ECONOMIC RELATIONS. STUDY OF THE RELATIONSHIP OF THE "GENTLEMEN'S AGREEMENT" ON EXPORT CREDITS TO EAST-WEST TRADE FINANCING. EXAMINATION OF THE FEASIBILITY OF A MECHANISM FOR THE REGULAR EXCHANGE OF INFORMATION ON OECD-COUNTRY GOVERNMENT-BACKED CREDITS TO THE COMMUNIST COUNTRIES.

H) SHIPPING - STUDY OF THE IMPLICATIONS FOR SHIPPING NATIONS OF THE EXPANSION OF THE SOVIET MERCHANT MARINE, AND WHAT COURSES OF ACTION THE OECD NATIONS SHOULD CONSIDER TO MEET THE SOVIET CHALLENGE.

I) THIRD WORLD ISSUES - STUDY OF THE PRESENT AND POTENTIAL ECONOMIC RELATIONSHIPS BETWEEN THE EASTERN COUNTRIES AND LDCS, INCLUDING AID FLOWS, FOREIGN INVESTMENT, AND TRADE IN RAW MATERIALS AND MANUFACTURES. ALSO, ASSESSMENT OF THE DESIRABILITY, FEASIBILITY, AND IMPLICATIONS OF A GREATER EASTERN ROLE IN GLOBAL ECONOMIC DEVELOPMENT.

6. PROCEDURAL PROPOSAL. TO FACILITATE THIS WORK PROGRAM AND TO KEEP IT ON TRACK WE FAVOR THE ESTABLISHMENT OF AN EXPERTS GROUP FROM OECD CAPITALS TO ASSIST THE XCSS AND THE SECRETARIAT. THIS GROUP WOULD REFINE THE AGENDA, MAKE RECOMMENDATIONS THROUGH THE XCSS TO THE COUNCIL ON TASKS WHICH OTHER COMMITTEES OF THE OECD MIGHT UNDERTAKE, PERFORM WORK ITSELF WHERE SPECIALIZED COMMITTEES EITHER DO NOT EXIST OR ARE STRUCTURALLY NOT EQUIPPED TO HANDLE THE TASKS, AND PREPARE PERIODIC PROGRESS REPORTS ON THE WORK PROGRAM FOR THE XCSS, AS

WELL AS A MAJOR PROGRESS REPORT FOR THE NEXT OECD MINISTERIAL. WE BELIEVE THAT THIS TYPE OF AD HOC ARRANGEMENT WILL MAKE MAXIMUM USE OF EXISTING

OECD EXPERTISE WHIL" ADDING AN ESSENTIAL ELEMENT
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OF POLICY RESPONSIBILITY AND COORDINATION.

7. FOR BERN, BONN, LONDON, OTTAWA, PARIS, ROME,
THE HAGUE, TOKYO, USEC, USOECD: WE WILL BE ASKING
YOU TO APPROACH HOST GOVERNMENT OFFICIALS WITH OUR
VIEWS ON FOLLOW-UP TO THE SECRETARY'S INITIATIVE ON
IMPROVED COORDINATION ON NORTH-SOUTH RELATIONS.
SEPARATE CABLE ON THIS SUBJECT WILL FOLLOW SHORTLY. KISSINGER

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LONDON
ROME
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THE HAGUE
BRUSSELS
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